

LINDA LINGLE  
GOVERNOR



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
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November 18, 2009

**VIA E-MAIL AND REGULAR MAIL**

Mr. Robert Hiam  
President  
Hawaii Medical Service Association  
818 Keeaumoku Street  
Honolulu, Hawaii 96814

Dear Mr. Hiam:

Today, during our phone conversation your attorney, Ms. Boland, requested that I communicate to you what is inaccurate about the e-mail communication of Mr. Michael Sayama enclosed with my letter to you of November 4, 2009. Below is an item by item list of the inaccurate statements in the e-mail.

- 1) Sayama: "In the upcoming (November 2-30) open enrollment for health plans for EUTF (Hawaii Employer-Union Health Benefits Trust Fund), active employees who have the HMSA PPO plan which has a 10% co-payment for services will default to HMA's plan which has the same 10% co-payment if they do nothing."

**EUTF Response:** Employees do NOT have the "HMSA PPO Plan." They have the EUTF PPO plan, administered by HMSA. This is not an insured plan, so it is not an "HMSA plan." Also, there is no "HMA Plan." The EUTF has insisted that this distinction be made in the publications and documents that describe the plan. Furthermore, nobody will "default to HMA's plan." The affected employees currently are enrolled in the EUTF PPO (90/10) plan administered by HMSA. If they do nothing, they will continue to be enrolled in the EUTF PPO (90/10) plan, AND the plan will be administered by HMA.

- 2) Sayama: "HMSA was assigned to be the plan which has a 20% copayment."

**EUTF Response:** HMSA volunteered for the 80/20 plan when asked by Aon (EUTF Consultant). HMSA had first choice. After HMSA made its choice, and the Board made its decision to offer two plans with HMSA administering the 80/20 plan, HMSA then asked the Board to reconsider its decision because HMSA was afraid it would suffer a decline in enrollment.

- 3) Sayama: "Some of the members we spoke to have been totally surprised that this would not continue to be the case, and I believe at least people should have the chance to make an informed decision."

**EUTF Response:** There are two ways for employees to be informed. The first is to get information directly from the EUTF through printed materials, the web site, and attending benefit fairs. The second is to receive information directly from the carriers/plan administrators. Any material sent out by the carriers/plan administrators must be approved in advance by the EUTF Administrator. Mr. Sayama's communication was not submitted for approval. The e-mail would reasonably be construed as an official communication sent from HMSA because it was transmitted from an HMSA e-mail account that included Mr. Sayama's title and HMSA contact information.

Further, the e-mail requests that "If you know people who are State employees, please call or email them to let them know that it is a very different open enrollment process this year, and doing nothing may well mean that they end up with HMA."

**EUTF Response:** Mr. Sayama and HMSA cannot hide behind the "family" salutation and claim that the communication was not intended for government employees as part of HMSA's EUTF open enrollment communication campaign.

- 4) Sayama: "It's a complicated, long story as to how this has come about, and I'm not sure I know everything but here's how I understand it. HMSA was asked to offer a lower costing plan with the 20% copayment, which we did thinking that EUTF members could choose between our 10% and 20% copayment plan and HMA's 10% and 20% copayment plan. But because of too few slots in the computer system, somehow it ended up with HMA having the 10% plan, and HMSA having the 20% plan."

**EUTF Response:** This statement is totally inaccurate, misleading and false. As noted above (item 2), HMSA had first choice and chose to administer the 80/20 plan, and it was never offered to administer both the 90/10 plan and the 80/20 plan. See the enclosed minutes of the Board of Trustees meetings of

August 26, 2009 and September 30, 2009 (including October 6, 2009) for an accurate record of what transpired.

- 5) Sayama: "EUTF further decided that HMA plan would be the default plan."

**EUTF Response:** This is a further mischaracterization. No decision was made to "default" to HMA. The decision was that those in the 90/10 plan (whether administered by HMA or HMSA) will stay in the 90/10 plan unless they submit a form. The EUTF has no authority to lower employees' benefits unless the employee requests the change.

- 6) Sayama: "HMSA's participating network of physicians is over two times larger than HMA's and includes all the hospitals."

**EUTF Response:** This is not true. The networks are substantially similar (less than 5% difference), with some differences in favor of HMSA. HMA's network also includes all the hospitals.

- 7) Sayama: "HMA is part of Summerlin, a mainland for profit company, whereas HMSA is a local non-profit with among the lowest administrative costs in the nation. Summerlin will make decisions from their corporate offices on the mainland based on profitability. Although the general public often doesn't get this, we are very happy to break even, and in fact have been losing money in recent years despite using investment income to subsidize premiums."

**EUTF Response:** This is a gross misrepresentation. The EUTF contract is with HMA, not Summerlin. HMA makes no decisions (other than administrative decisions based on the guide to benefits) about the plan. The same is true of HMSA. As stated above, these are self-funded plans, so HMA makes no profit from premiums or benefit savings; only from administrative fees.

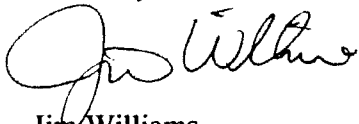
- 8) Sayama: "While they have some staff in Hawaii, the bulk of Summerlin's operations are on the mainland."

**EUTF Response:** This statement continues misrepresentation of the EUTF contract, which is with HMA. HMA has claims and customer service staff here in Hawaii. According to HMA, all of their employees live and work in Hawaii. EUTF has contracts with both mainland (HMA, VSP, informedRx, Kaiser) and local (HMSA, Royal State, HDS) companies. All are selected through a fair and open competitive bidding process. During the last procurement, HMSA was rated lower than HMA, but the Trustees decided to use both companies.

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Demand (first made November 4, 2009) is hereby made upon HMSA to retract the email and advise the EUTF immediately as to what it will implement to ameliorate the crisis. Please respond in writing by November 20, 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Williams", written in a cursive style.

Jim Williams  
Administrator

Enclosures (minutes)

c: EUTF Board of Trustees (w/o enclosures)

Mr. Harris Nakamoto, Vice President & General Manager, HMA (w/o enclosures)